Supreme Court, U.S.
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No. 98-496

In The

Supreme Court of The United States

October Term, 1998

P.C. FILMS CORP.,

Petitioner,

- against -

MGM/UA HOME VIDEO INC.,
MGM/UA COMMUNICATIONS CO.,
WARNER HOME VIDEO, INC.,
TURNER ENTERTAINMENT CO,

Respondents.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

PETITIONER'S REPLY BRIEF

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I. CONSTITUTIONAL ISSUES: RESPONDENTS ARE ERRONEOUS AND INACCURATE IN INTERPRETING *GOLDSTEIN v. CALIFORNIA* AND ARE ERRONEOUS AND INACCURATE IN CONTENDING THAT THE POST EXPIRATION PERIOD OF THE COPYRIGHT IS A DEFERRED CONSTITUTIONAL QUESTION

A. *Goldstein v. California*

Respondents stated that "[A]lthough *Goldstein* was later *superseded* by Section 301 of the 1976 Act, it is interesting to note that the Court found no conflict between a state statute of unlimited duration and federal copyright law or policy." Respondents' Brief, p. 15.[1]

Respondents' interpretation of *Goldstein v. California* is novel but it is erroneous. The California statute of unlimited duration was not subject to pre-emption since the copyrighted work at issue was not covered by a federal copyright statute. California was not barred from enacting legislation protecting the work, to wit, a sound recording.

However, when Congress enacts legislation covering the subject matter of a copyrighted work, then no state statute of unlimited duration shall survive the pre-emption doctrine. Furthermore, despite Respondents' erroneous assertion, *Goldstein v. California*, 412 U.S. 546, 93 S.Ct. 2303 (1973), *reh'g denied*, 414 U.S. 883, 94 S.Ct. 27 (1973) was not superseded by § 301 of the Copyright Act of 1976. 17

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[1] Reference to Respondents' Brief in Opposition is hereinafter referred to as "RB."

U.S.C. § 301 (1996). Section 301(a) applies to subject works unpublished before January 1, 1978 and works published or created after December 31, 1977. 17 U.S.C. § 301(a) (1996) (**31a**).

Goldstein v. California did not deal with the unlawful perpetual duration of a federal copyrighted work or the nature of contractually created rights with respect to a copyrighted work. Petitioner respectfully submits that the holding of *Goldstein v. California* should be extended to stand for the proposition that contracting parties cannot substitute contractually created rights and obligations of perpetual duration for copyright rights of limited duration under the Copyright Patent Clause. A perpetual duration of rights which do not exist under law cannot be used to give Respondents the right to exercise copyright rights.

Respondents' inaccurate and erroneous interpretation of *Goldstein v. California* results in a parallel copyright system which directly conflicts with the Copyright Patent Clause. *See Wheaton v. Peters*, 33 U.S. (8 Peters) 591 (1831).

B. Restrictions After the Expiration of the Copyright

The Second Circuit adopted a partial pre-emption doctrine of two terms of a copyright and then a period of public domain subject to a deferred question of whether there are any restrictions on Petitioner after the expiration of the copyright.

Petitioner respectfully submits that the Second Circuit's partial pre-emption

doctrine is erroneous. However, the Respondents contend that there is no constitutional question because of the Second Circuit's decision that any restrictions that are imposed on Petitioner by the Basic Agreement will not be decided until after the expiration of the renewal term of the copyright.

However, despite Respondents' argument in Point I that the constitutional question should be deferred, Respondents have raised the constitutional issue. In Point III, Respondents argue:

> Conspicuously absent from Petitioner's arguments is any explanation as to how an agreement between two private entities will impose any kind of impermissible restriction on the public's rights once the Film enters the *public* domain.

(RB 22).

Petitioner respectfully submits that subsequent to the expiration of the copyright, any party can then exploit the formerly copyrighted protected work. Petitioner itself can exploit the formerly copyrighted work free of any claim by Respondents that Petitioner's conduct is in breach of the contract to the extent that such contractual provisions conflict with the Copyright Patent Clause, the Supremacy Clause and copyright policy. *See Goldstein v. California*, 412 U.S. 546, 93 S.Ct. 2303 (1973), *reh'g denied*, 414 U.S. 883, 94 St.Ct. 27 (1973); *Brullote v. Thys Co.*, 379 U.S. 29, 85 S.Ct. 176 (1964), *reh'g denied*, 379 U.S. 985, 85 S.Ct. 938 (1965).

This Court stated in *Brulotte v. Thys Co.*, 379 U.S. 29 at 32, 85 S.Ct. 176 at 179 (1964), *reh'g denied*, 379 U.S. 985, 85 S.Ct. 938 (1965).

> In light of those considerations, we conclude that a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful per se. If that device were available to patentees, the free market visualized for the post-expiration period would be subject to monopoly influences that have no proper place there.

Therefore, during public domain, Petitioner an exercise any right with respect to the formerly protected copyrighted work in the same manner as any member of the public if the contractual provisions conflict with the Copyright Patent Clause, the Supremacy Clause and copyright policy.

There is no breach of contract issue before this Court. What is involved is whether subsequent to the expiration of the copyright Petitioner can exercise rights with respect to such work despite the contractual provisions which conflict with the Copyright Patent Clause, the Supremacy Clause and copyright policy.

II. STATE RULES OF INTERPRETATION OF CONTRACTS WITH RESPECT TO THE DURATION AND NATURE OF COPYRIGHT RIGHTS ARE GOVERNED SOLELY BY FEDERAL COPYRIGHT LAW

Petitioner respectfully submits that state contractual rules cannot be used to evade the Copyright Patent Clause, the

Supremacy Clause and the applicable Copyright Act.

Petitioner is the proprietor and owner of the copyright and was the sole party entitled by law to renew the copyright. Petitioner was not required to renew the copyright. The Second Circuit acknowledged that there is a presumption in Petitioner's favor in the determination of which party is entitled to exercise Petitioner's statutory rights during the renewal term. *P.C. Films v. MGM/UA Home Video, Inc.*, 138 F.3d 453, 457 (2d Cir. 1998). (**9a**).

The Second Circuit rejected Petitioner's analysis that if a copyright right is a limited monopoly as to nature. Then a perpetual duration of a contractually created right equivalent to a copyright right is a perpetual monopoly as to nature.

The Second Circuit, in lieu of pre-empting the unlawful perpetual duration of the copyright rights, adopted a novel partial pre-emption doctrine, to wit, an initial term, and if the copyright right was properly renewed, a renewal term, then public domain subject to a determination of any restrictions in the Basic Agreement after the expiration of the copyright.

The Second Circuit used such unlawful perpetual duration as a state contractual canon of intent to enable Respondents to exercise Petitioner's copyright rights during the renewal term.

The unlawful perpetual duration should have been pre-empted from the inception of the Basic Agreement. Upon pre-emption the Second Circuit should have substituted §

304(a) of the Copyright Act of 1976 which was in effect at the time of the renewal of Petitioner's copyright. 17 U.S.C. § 304(a) (1988), *amended in 1992* by 17 U.S.C. § 304(a)(i)(A),(B),(C) (1996). The use of the pre-empted unlawful perpetual duration cannot be used as a canon of contractual intent because of the limited duration in the Copyright Patent Clause and the applicable Copyright Act as well as the Supremacy Clause. The use of perpetual duration of a copyright as a canon of contractual intent is an end run to evade the Copyright Patent Clause. *S.O.S. v. Payday, Inc.*, 886 F.2d 1081, 1088 (9th Cir. 1989).

The saving or terminating of a contract should not be the paramount concern in determining whether the unlawful perpetual duration of a copyright right should be used as a canon of contractual intent to determine whether Petitioner or Respondents are entitled to exercise Petitioner's copyright rights during the renewal term.

Therefore, Benjamin Melniker's testimony of perpetual distribution rights (not copyright rights) and the dictionary definition of perpetual cannot alter federal copyright law. There was no reference to the renewal term in the Basic Agreement because MGM did not want the renewal term. Respondents' admission in open court "...we were not acquiring copyright rights" is more pertinent than an artificial and erroneous reference to a non-pre-empted perpetual duration to save a contract. The fact remains that Respondents by their own admission never wanted to obtain copyright rights.

Furthermore, there is a fundamental

difference between an assignment and a license. When an assignment is involved, the period of a duration and nature of a copyright right is governed by the applicable copyright statute. A license of copyright right pursuant to a contract is different from an assignment because the contract provisions define the duration and nature of the copyright rights. Such provisions are governed by federal law as to nature and duration.

III. THERE IS NO EVIDENCE IN THE RECORD THAT MGM WANTED THE RENEWAL TERM

With respect to the renewal process, Respondents justified Respondent Turner's filing of a false renewal registration in the name of Turner and Bronston. The consequences of such false document was an erroneous chain of title. Turner has refused to remove the wrongful renewal certificate. Furthermore, Respondent was not a proprietor or co-author of the copyright. Why did Turner name Bronston as the co-author when Turner knew that Petitioner was the assignee of Bronston's copyright since 1967?

The Second Circuit justified its holding by reasoning that on August 4, 1960, the signing of the Basic Agreement, Bronston would have been expected to renew the copyright because of its retained rights consisting of sequel, remake and novelization rights. The Second Circuit was in error by not realizing that such rights were without value because the subject matter was in the public domain. Furthermore, it would be very doubtful that a sequel to the Picture would have been made. All of Respondents' arguments adopted by the Second Circuit are

erroneous. Petitioner renewed its copyright so it could exploit the Picture, not to make a sequel of the Picture about the life of Jesus Christ or cause a novel to be written.

IV. RESPONDENTS ARE IN ERROR IN ASSERTING THAT CUSTOM IS MORE IMPORTANT THAN THE INTEGRITY OF THE COPYRIGHT SYSTEM

Respondents concern for the validity of Petitioner's argument is without merit. The case at bar involves the Copyright Patent Clause, the Supremacy Clause and the applicable Copyright Act, not a implied plea for favoritism by sympathy. The District Court adopted Respondents' pleas. *P.C. Films Corp. v. Turner Entertainment Co.*, 954 F.Supp. 711, 716 (S.D.N.Y. 1997) (**23a**). The District Court was in error. There is no agreement or any expert testimony in the record.

What is more important is that since January 1, 1978, the Copyright Act provides for one term. 17 U.S.C. § 302(c) (1996). The usual practice in the creation and exploitation of a motion picture is that motion pictures are created by independent producers who license them to a distributor to exploit the motion picture. Motion pictures are created and financed in California which is within the Ninth Circuit. Under the pre-emption doctrine adopted by the Ninth Circuit in *Rano v. Sipa Press, Inc.*, 987 F.2d 580 (9th Cir. 1993), the Federal District Court within the Ninth Circuit would have pre-empted the entire perpetual term and would apply the unitary term pursuant to § 302(c) of the Copyright Act of 1976 unless there is evidence to the contrary. 17 U.S.C. § 302(c) (1996).

Manners v. Morosco, 252 U.S. 317, 66 S.Ct. 101 (1920); *Viacom Int'l., Inc. v. Tandem Prods., Inc.*, 368 F.Supp. 1264 (S.D.N.Y. 1974), *aff'd*, 526 F.2d 593 (2d Cir. 1975); 3 Melville B. Nimmer and David Nimmer, *Nimmer on Copyright* § 10.10[F] and *fn.* 4.61 (May 1998).

If a motion picture was published before January 1, 1978, the pre-emption doctrine set forth in *Rano v. Sipa Press, Inc.* and interpretation of the duration and nature of copyright rights in contractual language would be governed by Federal Copyright Law and policy. *Rano v. Sipa Press*,987 F.2d 580 (9th Cir. 1993) and *S.O.S. v. Payday, Inc.*, 886 F.2d 1081, 1088 (9th Cir. 1989).

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CONCLUSION

Petitioner respectfully submits that this Court should grant a Writ of Certiorari. Respondents' arguments have failed to justify the use of contract rights, obligations and duration as well as canons of interpretation which conflict with the Copyright Patent Clause, the Supremacy Clause and the applicable Copyright Act. Furthermore, Respondents have failed to resolve the conflict amongst the Circuits.

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November 4, 1998

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